



**DISTRICT OF COLUMBIA RETIREMENT BOARD
BOARD MEETING MINUTES
DECEMBER 18, 2014**

MEMBERS PRESENT

Lyle M. Blanchard, Acting Chairman
Barbara Davis Blum
Joseph W. Clark
Mary A. Collins
Gary W. Hankins
Darrick O. Ross
Edward C. Smith
Thomas N. Tippet
Lenda P. Washington

DCRB STAFF PRESENT

Eric Stanchfield, Executive Director
Erie Sampson, General Counsel
Sheila Morgan-Johnson
Tom Anderson
Johnetta Bond
Peter Dewar
Joan Passerino
Anthony Shelborne
Leslie King
Daniel Hernandez
Neda Bolourian
Camille Castro
Patrick Sahn
Michael Xanthopoulos
Deborah Reaves
Sue Scrapper
Johniece Harris
Wukyanos Gebremeskel

MEMBERS NOT PRESENT

Joseph M. Bress, Chairman
Michael J. Warren
Nathan A. Saunders (via telephone)
Jeffrey Barnette, ex-officio

OTHERS PRESENT

Edward Koebel, Cavanaugh Macdonald
Thomas J. Cavanaugh, Cavanaugh Macdonald
Jonathan Craven, Cavanaugh Macdonald
Peter Woolley, Meketa
Brenda Mathis, OCFO
Hazel Bradford, Pensions & Investments

ROLL CALL

On behalf of Chairman Bress, Trustee Blanchard called the meeting to order at 1:38 p.m. Ms. Deborah Reaves called the roll.

APPROVAL OF MINUTES

Trustee Blanchard introduced a motion to approve the November 20, 2014 Board meeting minutes. The motion was moved by Trustee Blanchard and seconded by Trustee Tippet.

Motion #1: To approve the November 20, 2014, Board meeting minutes.

The motion was approved 8-0. (*See Tally #1*)

CHAIRMAN'S COMMENTS

Trustee Blanchard reported the following highlights on behalf of the Chairman:

Trustee Terms

Trustee Blanchard indicated that the term of Trustee Warren, a Council appointee, expires on January 27, 2015. Under the current statute, Trustee Warren will remain on the Board until he is reappointed by the Council. In addition, Trustee Blanchard stated that terms of Trustee Blum (Mayoral appointee), Trustee Bress (Council appointee), and Trustee Tippett (elected by retired firefighters) will expire on January 27, 2016.

Fossil Fuel Divestment Act of 2013 (B20-481): Fossil Fuel Resolution 20-709

On December 4, 2014, the D.C. Council adopted a Resolution indicating that it is the sense of the Council that the District of Columbia Retirement Board and the Chief Financial Officer should, consistent with their fiduciary obligations, explore all means possible for minimizing the District's involvement with companies with the largest fossil fuel reserves.

INVESTMENT COMMITTEE REPORT

Trustee Blum presented the following motion for the Board's consideration:

Motion #2: To ratify the Board's motion to terminate investment in the PIMCO Core Plus portfolio.

The motion was moved and properly seconded by Trustee Clark. The motion was approved 9-0. (*See Tally #2*)

EXECUTIVE DIRECTOR'S REPORT

Mr. Eric Stanchfield presented the following highlights to the Board:

Pension System Feasibility Study

Linea Solutions provided a preliminary review of the Pension System Feasibility Study to the DCRB Executive Leadership Team on December 2nd.

Field Trip to the Virginia Retirement System (VRS)

Members of the senior staff traveled to Richmond on November 24th to review VRS's internal investment management operations. This information will be very helpful as the DCRB considers internal investment management.

D.C. Council Budget Report

Last month, DCRB received a draft of the annual Budget Report and Recommendations for FY 2015, compiled by the D.C. Council's Committee of the Whole. The Report recommends adoption of DCRB's FY 2015 budget, and recommends that DCRB should continue its technology projects, as well as its communications and outreach with other agencies and the Council.

Max 80 and Lookback COLA

Following the November Board Meeting, the Association of Retired Police Officers of D.C. posted a notice on its website regarding Treasury's plans related to errors in the Police Officers and Firefighters' Retirement Plan's 80% maximum benefit limitation, as well as the semi-annual COLAs paid under that Plan and the Teachers' Retirement Plan.

Staff Changes

Tom Anderson is retiring as DCRB's CFO at the end of this year. Tom, who formerly served as Executive Director of the Ohio Teachers' Retirement System, provided DCRB with strong leadership in its Finance and Budget Department over the past seven years.

OPERATIONS COMMITTEE REPORT

Trustee Ross presented the following highlights related to the December 17, 2014 Operations Committee meeting:

Presentation: Fiscal Year ("FY") 2015 Actuarial Valuation

Cavanaugh McDonald presented the results of October 1, 2014 actuarial valuation, which identified the recommended contribution amounts to be paid by the District for FY 2016.

Motion #3: To adopt the certified District contribution, as presented in the actuarial valuation report as of October 1, 2014 for the FY 2016 contribution.

The motion was moved and properly seconded by Trustee Tippet. The motion was approved 9-0. (*See Tally #3*)

Presentation: Max80 Calculation

Cavanaugh McDonald performed calculations to identify the District amount attributable to the misapplication of the 80% maximum benefit provision under the Police Officers and Firefighter's Retirement Plan between 1980 and 2010.

Motion #4: It is imprudent for the Board to reduce any benefit overpayments or collect any benefit overpayments from retired police officers and firefighters as a result of the 30-year codification error in D.C. Code § 5-712(c) that misstated the maximum optional retirement benefit is 80% of basic salary at retirement instead of 80% of average salary at retirement.

The motion was moved and properly seconded by Trustee Collins. The motion was approved 8-1, with one recusal. (*See Tally #4*)

On behalf of the Board, Mr. Stanchfield presented Tom Cavanaugh with a plaque to acknowledge his relationship as the Board's actuary, his contributions, and his retirement, making this his last meeting with DCRB.

Presentation: FY 2016 DCRB Budget, Anthony Shelborne, DCRB Controller

Mr. Shelborne presented the Operating budget to the Board. He pointed out that unlike prior years, expenses are increasing to meet the projected budget due to the various DCRB initiatives and projects.

Motion #5: To accept the FY 2016 Operating Budget.

The motion was moved and properly seconded by Trustee Tippet. The motion was approved 9-0. (*See Tally #5*)

Presentation: FY 2015 Retirement Modernization Program

Mr. Peter Dewar reviewed the initiatives the IT department is currently leading for DCRB.

Motion #6: To authorize the Executive Director to expend the entire \$600,000 budget allocated for infrastructure support in FY 2015.

The motion was moved and properly seconded by Trustee Blum. The motion was approved 9-0. (See Tally #6)

Motion #7: To authorize the Executive Director to enter into a contract with Softech & Associates, Inc., for a one-year period not-to-exceed \$134,000, with four one-year options in the amount not-to-exceed \$418,000, for a total contract price not-to-exceed \$552,000.

The motion was moved and properly seconded by Trustee Washington. The motion was approved 9-0. (See Tally #7)

Fiduciary Liability Insurance Policy Renewal

During the September 17, 2014 Board meeting, this topic was discussed, agreed upon, and acted on by collecting Trustee payments. The following motion is now being presented for the Board's approval regard the policy renewal:

Motion #8: To recommend a renewal of the Board's Fiduciary Liability insurance policy for \$10 million of coverage for a retention fee of \$115,000.

The motion was moved and properly seconded by Trustee Hankins. The motion was approved 9-0. (See Tally #8)

Presentation: Trustee Travel Policy

Ms. Joan Passerino presented information related to a new Trustee Travel Policy.

Motion #9: To adopt the new Trustee Travel Policy.

The motion was moved and properly seconded by Trustee Tippet. The motion was approved 9-0. (See Tally #9)

LEGISLATIVE COMMITTEE REPORT

Trustee Blanchard presented the following highlights from the December 17, 2014 Legislative Committee meeting:

L20-94, "Procurement Practices Reform Exemption Amendment Act of 2014"

An amendment to the Procurement Practices Reform Act of 2010 (the "Act") requires DCRB to submit contracts over one million dollars and/or multi-year contract to the D.C. Council for approval.

General Counsel, Ms. Erie Sampson, indicated it is unclear why the amendment removed the Board's exemption from Council review. Ms. Sampson indicated that the committee report and hearings do not address the rationale for the amendment related to DCRB.

Trustee Blanchard discussed next steps and discussion points that should be addressed with the Council which include possibly obtaining a legal opinion from outside counsel and meeting with Chairman Mendelson and the Council to discuss the issue. In the interim, Trustee Blanchard introduced the following motion:

Motion #10: The Board adopts the following Resolution consistent with its fiduciary duties to continue awarding and executing Board contracts without the review and approval of the D.C. Council.

Board Resolution

Whereas, Law 20-94, “Procurement Practices Reform Exemption Amendment Act of 2014” amended the Procurement Practices Reform Act of 2010 and subjected the Board to a requirement to submit to the Council of the District of Columbia (Council) for review multiyear contracts and contracts in excess of \$1 million purportedly pursuant to the District of Columbia Home Rule Act.

Whereas, Congress enacted the District of Columbia Home Rule Act in 1973 and included a requirement for certain contracts to be reviewed and approved by the Council in 1995.

Whereas, Congress established the District of Columbia Retirement Board (Board) in 1979 and included Section 121(a) of the District of Columbia Retirement Reform Act of 1979 (the "Act", P.L. 96-122), codified at D.C. Code § 1-711(a), which vests the Board with "exclusive authority and discretion to manage and control" the assets of the Police Officers and Firefighters’ and Teachers’ Retirement Funds (the Funds). As fiduciaries of the Funds, the Board must discharge its duties in a prudent and diligent manner, in the sole interest of the Funds’ participants and beneficiaries, as an independent agency of the District government pursuant to D.C. Code 1-701 et seq.

Whereas, this fiduciary responsibility is intended to ensure that the Retirement Board trustees maintain a level of independence sufficient to permit them to perform their duties and to do so effectively and efficiently. This independence is vitally important because there are specific responsibilities and liabilities directed at fiduciaries under the Act.¹

Whereas, D.C. Code §1-711(f)(3) provides that the Mayor and the Council may establish the amount of funds that will be allocated to the Board for administrative expenses, but may not specify the purposes for which such funds may be expended or the amounts which may be expended for the various activities of the Board.

Whereas, submitting contracts for Council review violates this law since it arguably authorizes the Council to specify the purposes for which such funds may be expended or the amounts which may be expended for the various activities of the Board. Moreover, since Congress enacted D.C. Code §1-711(f)(3) after § 1-204.51, the more specific Congressional authority should control.

Whereas, through the years, legal counsel has advised the Board that its legislative history supports the conclusion that the Board’s operations should be independent from oversight by the Mayor and Council, who are not subject to the fiduciary obligations imposed by the Act.

Whereas, the Board has determined that the submission of certain contracts to the Council would violate its fiduciary duties, the Council will be on recess until January 2, 2015, and the Board requires time to meet with Councilmembers and propose a legislative amendment to resolve the confusion stemming from Law 20-94.

¹ See D.C. Code § 1-741 which provides specific responsibilities for all fiduciaries.

Be it Resolved, that the Board empowers and directs the Executive Director to continue awarding and executing contracts without the review and approval of the Council for at least 120-days until the Trustees have the opportunity to meet with Councilmembers and obtain a solution that is not in contravention of its fiduciary duties.

The motion was moved and properly seconded by Trustee Tippet. The motion was approved 9-0.
(See Tally #10)

BENEFITS COMMITTEE REPORT

Benefits Committee Chairman, Trustee Smith, deferred to the written Benefits Committee report.

AUDIT COMMITTEE REPORT

There was no Audit Committee meeting this month.

ADJOURNMENT

Motion #11: Trustee Blanchard introduced a motion to adjourn the meeting at 3:40 p.m.

The motion was properly moved and seconded by Trustee Tippet. The motion was approved 9-0.
(See Tally #12)

**DISTRICT OF COLUMBIA RETIREMENT BOARD
RECORD OF OFFICIAL BOARD ACTIONS**

Tally #1:		Date: December 18, 2014			
To approve the November 20, 2014 Board meeting minutes.					
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Bress, Joseph M., Chair					√
Blanchard, Lyle	√				
Blum, Barbara Davis	√				
Clark, Joseph W.	√				
Collins, Mary A.	√				
Hankins, Gary W.	√				
Ross, Darrick O.	√				
Saunders, Nathan					√
Smith, Edward C.			√		
Tippett, Thomas N.	√				
Warren, Michael J.					√
Washington, Lenda P.	√				

Tally #2		Date: December 18, 2014			
To ratify the Board's motion to terminate investment in the PIMCO Core Plus portfolio.					
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Bress, Joseph M., Chair					√
Blanchard, Lyle	√				
Blum, Barbara Davis	√				
Clark, Joseph W.	√				
Collins, Mary A.	√				
Hankins, Gary W.	√				
Ross, Darrick O.	√				
Saunders, Nathan					√
Smith, Edward C.	√				
Tippett, Thomas N.	√				
Warren, Michael J.					√
Washington, Lenda P.	√				

**DISTRICT OF COLUMBIA RETIREMENT BOARD
RECORD OF OFFICIAL BOARD ACTIONS**

Tally #3		Date: December 18, 2014			
To adopt the certified District contribution, as presented in the Actuarial Valuation Report as of October 1, 2014 for FY 2016 contribution.					
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Bress, Joseph M., Chair					√
Blanchard, Lyle	√				
Blum, Barbara Davis	√				
Clark, Joseph W.	√				
Collins, Mary A.	√				
Hankins, Gary W.	√				
Ross, Darrick O.	√				
Saunders, Nathan					√
Smith, Edward C.	√				
Tippett, Thomas N.	√				
Warren, Michael J.					√
Washington, Lenda P.	√				

Tally #4		Date: December 18, 2014			
It is imprudent for the Board to reduce any benefit overpayments or collect any benefit overpayments from retired police officers and firefighters as a result of the 30-year codification error in D.C. Code § 5-712(c) that misstated the maximum optional retirement benefit is 80% of basic salary at retirement instead of 80% of average salary at retirement.					
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Bress, Joseph M., Chair					√
Blanchard, Lyle	√				
Blum, Barbara Davis	√				
Clark, Joseph W.	√				
Collins, Mary A.	√				
Hankins, Gary W.	√				
Ross, Darrick O.	√				
Saunders, Nathan					√
Smith, Edward C.	√				
Tippett, Thomas N.				√	
Warren, Michael J.					√
Washington, Lenda P.	√				

**DISTRICT OF COLUMBIA RETIREMENT BOARD
RECORD OF OFFICIAL BOARD ACTIONS**

Tally #5		Date: December 18, 2014			
To Accept the FY 2016 Operating Budget					
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Bress, Joseph M., Chair					√
Blanchard, Lyle	√				
Blum, Barbara Davis	√				
Clark, Joseph W.	√				
Collins, Mary A.	√				
Hankins, Gary W.	√				
Ross, Darrick O.	√				
Saunders, Nathan					√
Smith, Edward C.	√				
Tippett, Thomas N.	√				
Warren, Michael J.					√
Washington, Lenda P.	√				

Tally #6		Date: December 18, 2014			
To Authorize the Executive Director to expend the entire \$600,000 budget allocated for infrastructure support in FY 2015.					
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Bress, Joseph M., Chair					√
Blanchard, Lyle	√				
Blum, Barbara Davis	√				
Clark, Joseph W.	√				
Collins, Mary A.	√				
Hankins, Gary W.	√				
Ross, Darrick O.	√				
Saunders, Nathan					√
Smith, Edward C.	√				
Tippett, Thomas N.	√				
Warren, Michael J.					√
Washington, Lenda P.	√				

**DISTRICT OF COLUMBIA RETIREMENT BOARD
RECORD OF OFFICIAL BOARD ACTIONS**

Tally #7		Date: December 18, 2014			
To authorize the Executive Director to enter into a contract with Softech & Associates, Inc., for a one-year period not-to-exceed \$134,000, with four one-year options in the amount not-to-exceed \$418,000, for a total contract price not-to-exceed \$552,000					
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Bress, Joseph M., Chair					√
Blanchard, Lyle	√				
Blum, Barbara Davis	√				
Clark, Joseph W.	√				
Collins, Mary A.	√				
Hankins, Gary W.	√				
Ross, Darrick O.	√				
Saunders, Nathan					√
Smith, Edward C.	√				
Tippett, Thomas N.	√				
Warren, Michael J.					√
Washington, Lenda P.	√				

Tally #8		Date: December 18, 2014			
To recommend a renewal of the Board's Fiduciary Liability insurance policy for \$10 million of coverage for a retention fee of \$115,000.					
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Bress, Joseph M., Chair					√
Blanchard, Lyle	√				
Blum, Barbara Davis	√				
Clark, Joseph W.	√				
Collins, Mary A.	√				
Hankins, Gary W.	√				
Ross, Darrick O.	√				
Saunders, Nathan					√
Smith, Edward C.	√				
Tippett, Thomas N.	√				
Warren, Michael J.					√
Washington, Lenda P.	√				

**DISTRICT OF COLUMBIA RETIREMENT BOARD
RECORD OF OFFICIAL BOARD ACTIONS**

Tally #9		Date: December 18, 2014			
To adopt the new Trustee Travel Policy.					
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Bress, Joseph M., Chair					√
Blanchard, Lyle	√				
Blum, Barbara Davis	√				
Clark, Joseph W.	√				
Collins, Mary A.	√				
Hankins, Gary W.	√				
Ross, Darrick O.	√				
Saunders, Nathan					√
Smith, Edward C.	√				
Tippett, Thomas N.	√				
Warren, Michael J.					√
Washington, Lenda P.	√				

Tally #10		Date: December 18, 2014			
The Board adopts the following Resolution consistent with its fiduciary duties to continue awarding and executing Board contracts without the review and approval of the D.C. Council.					
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Bress, Joseph M., Chair					√
Blanchard, Lyle	√				
Blum, Barbara Davis	√				
Clark, Joseph W.	√				
Collins, Mary A.	√				
Hankins, Gary W.	√				
Ross, Darrick O.	√				
Saunders, Nathan					√
Smith, Edward C.	√				
Tippett, Thomas N.	√				
Warren, Michael J.					√
Washington, Lenda P.	√				

**DISTRICT OF COLUMBIA RETIREMENT BOARD
RECORD OF OFFICIAL BOARD ACTIONS**

Tally #11		Date: December 18, 2014			
To adjourn the meeting at 3:40 p.m.					
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Bress, Joseph M., Chair					√
Blanchard, Lyle	√				
Blum, Barbara Davis	√				
Clark, Joseph W.	√				
Collins, Mary A.	√				
Hankins, Gary W.	√				
Ross, Darrick O.	√				
Saunders, Nathan					√
Smith, Edward C.	√				
Tippett, Thomas N.	√				
Warren, Michael J.					√
Washington, Lenda P.	√				